

Economic Expansion on Solid Footing

The current business recovery will begin to enter a more dynamic phase sometime this year, according to Henry Kaufman, general partner and member of the executive committee of Salomon Brothers, international investment banking and market making firm.

Speaking before the annual stockholders' meeting of the Federal Home Loan Bank of New York, Mr. Kaufman said this development will dispel doubts about the durability of the recovery.

The end of the present transitory phase in the economic expansion will create financial pressures in the markets, with short-term interest rates rising more rapidly than long-term rates.

Pointing out that the nation's economic growth is now based on a solid financial footing, he stated, "I believe that we are far from the end of the current economic recovery Perhaps the next cyclical benchmark that the National Bureau of Economic Research records will be a date in 1979, or even later.

"Whether we examine the current situation either from a mere statistical viewpoint or from a broader economic and financial perspective, fears of a short duration for this business expansion are, in

my judgment, not well-founded."

Business Activity

Discussing the course of business activity, he remarked, "The perceived weaknesses of the present recovery should be regarded as a source of potential strength for the economy which will result in a longer rather than a shorter period of expansion."

Mr. Kaufman notes that several sectors have been lagging during the past two years as compared with earlier cycles. Among these, he pointed out, are new construction activity, the rate of fixed investments by business which reflects mainly the low utilization of plant capacity, high unemployment and concern about economic stability.

"Perhaps," he stated, "attention which has been focused on these cyclical shortfalls has eclipsed more favorable factors." He pointed out that employment and personal income have grown rapidly without creating a massive escalation in wages. Businesses have been prudent, he added, in plant and equipment expenditures, placing the expansion on a sounder footing than if corporations had failed to heed their basic responsibilities to return to an improved financial

position and to raise efficiency levels.

Other favorable factors, Mr. Kaufman said, are the exceptional liquidity at financial institutions, the high liquidity of business corporations which have only started to borrow a moderate volume of short-term funds, the sharply positive slope of the yield curve which is not indicative of the terminal stages of the business expansion, and the good availability of investible funds.

But, Mr. Kaufman stated, "I do not wish to convey that the business and financial outlook will be forever favorable. ... Within time, the expansion will tighten economic and financial markets, thus giving a cyclical lift to the rate of inflation and to the level of interest rates.

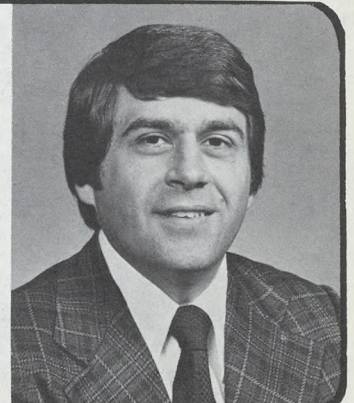
"Sometime this year, for example, money rates should rise to around 5¾% to 6¼% and AAA-rated new utility bond issues to around 8½% to 8¾%. The strong final demand for goods and services, together with good profitability, will encourage business to increase investments in both inventory and in plant. Enlarged new housing financing requirements will terminate liquidity building by thrift institutions."

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Iowa News

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The second set of Iowa Bankers Association Group Meetings will be held next week. Dates and locations follow:

Group 5, May 23, The Village Inn, Council Bluffs.

Group 6, May 24, Des Moines Golf & Country Club.

Group 3, May 25, Surf Ballroom, Clear Lake.

Group 12, May 26, Brooks Best Western, Lake Okoboji.

* * *

Two bankers have announced their candidacy for officers of the Iowa Bankers Association. The election will be held this fall. They are: H. Rand Petersen, president, The Shelby County State Bank, Harlan, for vice president of the association, and Edward L. Tubbs, president, Maquoketa State Bank, for treasurer of the association.

In his report at the first week of Iowa group meetings last week, Iowa Superintendent of Banking Tom Huston said one Iowa bank has refused to recognize the mandatory sharing of electronic funds terminals ordered by a 1976 Iowa law, which became effective March 1, 1977. Mr. Huston later identified the bank as First National Bank of Ames and said it is very probable the matter will have to be resolved by the courts. At issue is whether a national bank must abide by the mandatory sharing prescribed by state law; whether the bank's ATM in a remote retail location is an "office," as it maintains (and thus beyond state law), and the effect on state mandatory sharing laws of recent U.S. Justice Department statements challenging the validity of mandatory sharing under anti-trust statutes.

May 18 and 19, at the Wakonda Club. Registration begins at 5 p.m. Wednesday followed by dinner at 7:30. The first golf flight is at 8 a.m. Thursday and the tennis tournament begins at 1 p.m. Social hour will begin at 5 p.m. followed by dinner and the awarding of prizes at 7.

DES MOINES: On Monday, May 16, at 9 a.m., the district court in Des Moines will hear the oral arguments in the case between the Iowa Banking Department and the Iowa Credit Union League. Superintendent of Banking Thomas H. Huston last fall declared credit union share drafts to be illegal instruments.

ELDORA: George Hemmen has joined the Second National Bank as manager of the Steamboat Rock Office.

FORT DODGE: The Federal Reserve Board has denied the

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COUNCIL BLUFFS: James Hamlin, Jr., has been named manager of State Bank and Trust's 35th Street Office.

DES MOINES: The Iowa Investment Bankers Field Day will be held Wednesday and Thursday,

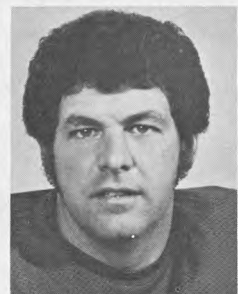
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proposed acquisition of the First National Bank here by Northwest Bancorporation, Minneapolis.

MUSCATINE: First National Bank has elected Janice K. Metzger bookkeeping department manager and Shirley L. Smith administrative assistant.

Nebraska News

CARROLL: Farmers State Bank has elected Beverly Ann Hitchcock cashier. This announcement was incorrectly printed under the Iowa News heading in last week's Newsletter.

MILLIGAN: Farmers and Merchants Bank has announced the promotion of Deborah J. Kassik to assistant cashier. She has been with the bank since June of 1972.

WILBER: William H. Riley, director of banking and finance, has issued an order of approval to the Bank of Wilber to move its bank charter and place of business from 101 West 3rd to 321 South Main Street.

Minnesota News

BURNSVILLE: Jan Evans has been named vice president of the new First Burnsville National Bank. Ms. Evans joined First Bank System 20 years ago and most recently was assistant manager for personal banking at the headquarters in Minneapolis.

LAKEFIELD: Charles Reckard has joined the First National Bank succeeding Stan Sievert who resigned to enter the insurance industry. Mr. Reckard has been

teaching in the adult farm management program for the local school district since 1966.

MINNETONKA: H. William (Bill) Strandquist has been named vice president of the National Bank of Minnetonka. He formerly was assistant vice president in commercial and instalment lending at the Americana State Bank of Edina.

MONTEVIDEO: James Krueger has joined the Northwestern Bank as vice president for the agriculture, commercial and consumer loan departments. He most recently was an assistant vice president in agriculture and commercial loans for Northwestern State Bank of Luverne.

RICHFIELD: Allen Helvick has been promoted to vice president and controller of Richfield Bank & Trust Co.

Illinois News

CHICAGO: William G. Erickson, former president of American National Bank & Trust Company and more recently an executive with Walter E. Heller, has been named chairman and chief executive officer of Mercantile National Bank.

CHICAGO: Argo State Bank, Summit, has received consent to establish a facility at 6343 West 63rd Street here.

KENNEY: A permit to organize has been issued to the Bank of Kenney on Johnson Street. The state bank's total capitalization of \$500,000 will consist of \$200,000 in both capital and surplus and \$100,000 in reserve. The 20,000

shares of stock will have a par value of \$10 each. Organizers are: Melvin Rasor, Waynesville; Jack Marantz and Thomas H. McGary, Springfield; Ernest C. Crowell, Clinton; Delmar Alsup, John W. Anderson, Russel L. Brady, Maurice Mathias, all of Kenney.

MELROSE PARK: Midwest Bank and Trust Company, Elmwood Park, has received permission to establish a facility at the northwest corner of North Avenue and River Road here.

SPRINGFIELD: Gov. James Thompson has named William C. Harris commissioner of banks and trust companies. Mr. Harris is from Pontiac, and formerly was senate minority leader in the Illinois legislature.

Colorado News

DENVER: Theodore F. Dretos, Jr., has been promoted to vice president responsible for the investment department, trust division, of the Central Bank of Denver.

LAKEWOOD: Jefferson Bank and Trust has announced the appointments of Richard Way Taunton and James W. King to instalment loan officers, and Doyle Souser to commercial loan officer.

North Dakota News

The North Dakota Bankers Association will hold its 92nd annual convention next week, May 23-25, at the Holiday Inn, Fargo. A complete report with pictures will appear in an upcoming issue of the Northwestern Banker.



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BISMARCK: The State Banking Board has approved an application to organize the Bismarck State Bank at the northwest corner of Interstate Avenue and Highway 83. A temporary facility is expected to be open by mid-summer. The board approved proposed capitalization of \$1 million, including \$400,000 in capital and \$300,000 in both surplus and undivided profits. Ben Meier is the proposed president, Alvin Haas as executive vice president and chief executive officer, and Al Wolf, Bismarck attorney, as secretary. All three are from Bismarck.

South Dakota

GETTYSBURG: Ruby E. Potts and Mary Ann Fransen have been elected assistant cashiers of First Potter County Bank.

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